

Message Text

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ACTION IO-14

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IO/IBC/BA - FOR FRANK MCCORMICK

USUN - FOR GEORGE SAMLER

E.O. 11652: N/A
TAGS: UN, AORG
SUBJECT: UN JOINT STAFF PENSION BOARD

REF.: STATE 187386

1. UN JOINT STAFF PENSION BOARD COMPLETED ITS 24TH SESSION NIGHT
OF AUGUST 4, 1978.

2. EVERY EFFORT WAS MADE BY GENERAL ASSEMBLY REPRESENTATIVE
KUTTNER TO CONVINCE HIS COLLEAGUES THAT NO CHANGES BE MADE
WHICH MIGHT ADVERSELY AFFECT ACTUARIAL STATUS OF FUND.
ANY CHANGES MADE DURING SESSION INVOLVING FINANCIAL COSTS
WILL TO A CONSIDERABLE EXTENT HAVE NO ADVERSE EFFECT ON FUND.
MEETING RECORDS WILL INDICATE KUTTNER'S POSITION.

3. IN VARIOUS INTERVENTIONS, KUTTNER ADVOCATED A) ABOLITION
OF ONE THIRD LUMP SUM BENEFIT; B) INCREASE OF INTEREST RATE
ON LUMP SUM BENEFITS FROM 3.25 PERCENT TO 4.5 PERCENT AS
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ADVOCATED BY COMMITTEE OF ACTUARIES, C) REPLACING PRESENT SYSTEM
OF SURVIVORS BENEFITS BY OPTIONAL BENEFITS, D) CHANGING REGULATIONS
TO PREVENT SURVIVOR OF STAFF MEMBER WHO OPTED FOR 1/3 LUMP
SUM BENEFIT FROM COLLECTING FULL FIFTY PERCENT OF RETIREE'S
PENSION RATHER THAN FIFTY PERCENT OF 2/3 PF PENSION.

4. REGRETTABLY, PENSIONBOARD DID NOT SUPPORT ANY OF THESE

RECOMMENDATIONS. HOWEVER, AFTER STRONG STATEMENT BY KUTTNER ON NECESSITY OF "BITING BULLET", BOARD AGREED RECOMMEND INCREASE IN INTEREST RATE OF LUMP SUM WITHDRAWALS FROM 3.25 PERCENT TO 4 PERCENT. ACCORDING TO CONSULTING ACTUARY, THIS WILL MEAN SAVING TO FUND OF ABOUT 30 MILLION DOLLARS. BUT, BOARD WILL RECOMMEND TO GENERAL ASSEMBLY LIBERALIZATION OF BENEFITS RELATING TO LENGTH OF SERVICE WHICH WILL OFFSET SAVINGS MADE BY INCREASING INTEREST RATE ON LUMP SUM WITHDRAWALS.

5. BOARD ADOPTED, AND WILL PRESENT TO GENERAL ASSEMBLY, A NEW UNIFIED SYSTEM OF PENSION ADJUSTMENTS WHICH WILL ALLOW A PENSIONER THE BASE DOLLAR PENSION ADJUSTED BY US-CPI, OR BASE DOLLAR PENSION CONVERTED INTO CURRENCY OF COUNTRY OF PROVEN RESIDENCE, USING HIGHER OF EITHER EXCHANGE RATE PREVAILING ON DATE OF RETIREMENT OR AVERAGE EXCHANGE RATE OVER THREE YEARS IMMEDIATELY PRIOR THERETO, AND ADJUSTED SUBSEQUENTLY BY CPI OF COUNTRY OF RESIDENCE. VARIOUS TRANSITIONAL SCHEMES FOR PRESENT RETIREES ON WAPA AND CPI SYSTEMS WERE ALSO APPROVED. ACCORDING TO CONSULTING ACTUARY, COSTS OF NEW SYSTEM WILL NOT EXCEED COSTS OF CURRENT WAPA/CPI SCHEME.

6. BOARD REVIEWED ITS INVESTMENT POLICY. MARKET VALUE OF TOTAL FUNDS ON MARCH 31, 1978 WAS ONE BILLION, FOUR HUNDRED THIRTY NINE MILLION DOLLARS. COMUL ANNUAL RATE OF RETURN ON TOTAL FUND OVER 18 YEARS (LONGEST PERIOD FOR WHICH INFORMATION IS AVAILABLE) WAS 5.32 PERCENT. TOTAL RETURN FOR YEAR ENDED UNCLASSIFIED

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MARCH 31, 1978 WAS 6.12 PERCENT. BOARD'S INVESTMENTS IN DEVELOPING COUNTRIES TOTALLED ABOUT 162 MILLION DOLLARS. FOR FIRST TIME, BOARD IS TAKING STEPS TO INVEST IN AFRICAN DEVELOPMENT BANK.

7. WE ASKED PENSION FUND SECRETARIAT FOR DEFINITION OF TERM QUOTE STATUTORY U.S. DOLLAR AMOUNT UNQUOTE. WE WERE ADVISED QUOTE TERM MEANS REAL VALUE OF PENSION GRANTED ACCORDING TO REGULATIONS OF FUND EXPRESSED IN U.S. DOLLARS END QUOTE.

8. APPRECIATE GUIDANCE CONTAINED IN REFTEL. POSITIONS AND COMMENTS PROVED USEFUL DURING MEETINGS OF PENSION BOARD.

9. THERE WILL BE MUCH FOR US TO DO ON THIS SUBJECT AT FORTHCOMING SESSION OF GENERAL ASSEMBLY. HOLMES

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